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SUBJECT: Argentina: Finance and Industries Secretaries on G-20
Positions

Ref: (A) Buenos Aires 1495
(B) Buenos Aires 1493
(C) Buenos Aires 1415

Summary

¶1. (SBU) GoA Finance Secretary Hernan Lorenzino confirmed he has taken on the substantive role of formulating Argentina's positions for the upcoming G-20 Summit in Washington and that these positions will be coordinated with those of Brazil at the upcoming November 8-9 Mercosur Summit in Sao Paulo. GoA statements in Washington will track closely with points raised by Economy Minister Carlos Fernandez in his October 11 statement to the IMF International Monetary and Financial Committee and will emphasize: (1) the need for better macro-economic coordination between emerging market and developed country government and central bank officials; (2) the need to improve and better coordinate broad financial sector regulatory and supervisory standards; and (3) the need to revisit the role of IFIs and particularly that of the IMF in terms of crisis support and general responsiveness to emerging economy needs. Separately on the trade front, Economy Ministry Industries Secretary Fernando Fraguio confirmed Argentina will not use the G-20 venue to promote its recent protectionist response to the financial crisis as a developing country policy model. Instead, the GoA will emphasize the need for emerging market economies to develop individually appropriate policy options to sustain domestic employment. Fraguio recognized that a G-20 communique will be carefully parsed by international financial markets and that G-20 members need to craft a "consensual, progressive, and practical" message. End Summary

Econ Ministry, Not Central Bank, Takes G-20 Lead

¶2. (SBU) Finance Secretary Hernan Lorenzino called EconCouns the evening of November 3 to advise that he will personally take on the substantive sous-sherpa role of formulating Argentina's position papers for the upcoming G-20 Summit in Washington. (Note: Ref B reported on Central Bank President Martin Redrado' October 24 conversation with Ambassador during which Redrado indicated that his Central Bank was developing substantive GoA position papers.) Lorenzino noted that he would work on this project primarily with his Economy Ministry colleague Political-Economy Secretary Martin Abeles and Abeles' subordinate Pablo Baronoa, National Director for Projects related to International Credit Organizations.

¶3. (SBU) Lorenzino noted that the GoA's position at the G-20 would be coordinated closely with Brazil at the upcoming November 8-9 Mercosur Summit hosted by President Lula in Sao Paulo. He also noted that the internal GoA positions currently being refined would track with substantive points raised by Economy Minister Carlos Fernandez in his October 11 statement to the IMF International Monetary and Financial Committee (IMFC) and later amplified in his

comments at the October 27 Extraordinary Mercosur Council meeting on the global financial crisis in Brasilia.

14. (SBU) According to Lorenzino, Argentina currently plans to emphasize three key points: (1) the need for better macro-economic coordination between emerging market and developed country government and central bank officials; (2) the need to improve and better coordinate broad financial sector regulatory and supervisory standards; and (3) the need to revisit the role of IFIs and particularly that of the IMF in terms of crisis support and general responsiveness to emerging economy needs.

Argentina's IMFC Submission

15. (U) Minister Fernandez' submission to the IMFC on behalf of Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay amplifies on all of these points. (Text at www.imf.org/External/AM/2008/imfc/statement/eng/arg.pdf.) The paper calls for "concrete" developed country actions to tackle insufficient capital and falling asset valuations in the global financial system as well as for coordinated developed country and IFI policy support to create a multi-currency reserve system and more effective mechanisms to provide liquidity to developing countries. On global financial system regulation, it calls for better systemic prudential regulations, clearer and more transparency accounting rules, higher capital requirement and more effective surveillance of banks, intermediaries, and credit rating agencies.

16. (U) On the IMF, Fernandez' submission calls for the institution to revisit its "excessive" focus on inflationary risks and its standard recipe for more flexible exchange rates and full capital

account liberalization in emerging market economies. Instead, the paper argues that the Fund should focus more on promoting growth in developing countries and promote income distribution policies aimed at boosting consumption capacity. On specific IMF reforms, the paper calls for the IMF to strengthen its policy guidance oversight of developed country economies and to develop an "early warning" system aimed at preventing the recurrence of periodic financial crises. It calls for more emerging market country input into IMF decision making and the development of a multilateral insurance scheme to better shield developing country members from exogenous shocks. Further, the statement calls for a streamlining of IMF conditionality and a review of access limits and financing terms to bring them into line with developing members' actual potential needs to borrow. The paper concludes that the voice and representation of developing countries within the IMF needs to be expanded beyond the "modest" steps taken in the recently approved quota increase. This includes revisiting the size and composition of the IMF Executive Board, which it characterizes as under-representing developing countries.

GoA Won't Push Protectionism as Policy Model

17. (SBU) Separately in a November 3 conversation with EconCouns, Ministry of Economy Secretary of Industries Fernando Javier Fraguio and Undersecretary Ariel Schale made clear that Argentina would not/not seek to use the G-20 summit as a venue to promote the GoA's recent imposition of non-tariff trade barriers (NTBs) as any sort of a financial crisis policy model for developing nations. (Ref A and C detail President Kirchner's crisis-linked announcement of a policy of "administered trade" and the GoA's imposition of a variety of safeguard measures and NTBs.) "Our policy is not protectionist," Fraguio declared, "but our policy is unashamedly to protect and sustain domestic employment. Each developing nation needs to craft its own appropriate policy response to the crisis to sustain employment." Fraguio said he recognized that a G-20 communique will be carefully parsed by international financial markets and that G-20 members need to craft a "consensual, progressive and practical" message. (Septel will report on the GoA's efforts to coordinate a trade policy response to the financial crisis bilaterally with Brazil and more broadly within the Mercosur trade bloc.)

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